



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

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May 10, 1990

No. 90/36

TO COUNTY ASSESSORS:

VALUATION OF SEMICONDUCTOR MANUFACTURING EQUIPMENT

In December 1987 Board staff met with assessors and industry representatives to discuss property tax valuation of certain semiconductor and computer manufacturing industry assets. In the meeting it was determined that a study of both industries was warranted to determine the accuracy of valuation methods employed in valuing the assets used in both industries.

After selection of an independent contractor to conduct the study, the first working meeting with the contractor was held September 12, 1988. The contractor, Arthur D. Little Co., originally indicated the study would be concluded in 14 weeks but it was far more complex than anticipated.

Since the contractor was unable to complete the study for last year's (1989) assessment season, we did not issue any suggested statewide guidelines for valuation of subject assets.

The 1990 assessment season is now well upon us and the study is still incomplete. Therefore, based on the best data available, we offer Attachment I as suggested percent good factors for use in the valuation of semiconductor manufacturing equipment for lien date 1990. Our suggested factors are in lieu of the percent good factors that appear in Table VI-1 on page 15 of the 1990 edition of Assessors' Handbook Section 581.

The percent good factors on the attachment are based on the following:

- Iowa State L0 survival curve
- 8 year economic life
- 13% rate of return
- Individual properties
- 10% income adjustment

Since no data has been presented relative to the valuation of computer manufacturing equipment, we are unable to make any new recommendation on percent good factors to apply when valuing computer manufacturing equipment.

----- Office equipment reported by semiconductor or computer manufacturing companies should continue to be assessed using existing guidelines and procedures, with the exception of non-production computers.

TO COUNTY ASSESSORS

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May 10, 1990


A new recommendation for the assessment of non-production computers is contained in letter to assessors 90/35. We suggest you value semiconductor company non-production computers and all other non-production computers assessable in the State of California consistent with guidelines in the subject letter to assessors.

Non-production computers are defined as computers used for general business purposes. Non-production computers do not include computers embedded in machinery and equipment or computers utilized in any other application directly related to manufacturing.

We suggest publications such as Value Line as a means of identifying companies in the semiconductor industry. The Arthur D. Little Co. has, as yet, been unable to provide us with a suggested list of semiconductor industry companies.

The lack of timeliness of this letter will be considered by Board staff when sample audits are conducted of these assessments on the 1990 local roll. If you have any questions regarding this letter, please contact the Business Property Technical Services Unit at (916) 445-4982.

Sincerely,



Verne Walton, Chief  
Assessment Standards Division

VW:sk  
Attachment

MACHINERY AND EQUIPMENT PERCENT GOOD FACTORS  
SEMICONDUCTOR MANUFACTURING EQUIPMENT  
TABLE VI-1(a)  
LIEN DATE 1990

<u>AGE</u>	<u>PERCENT GOOD</u>	<u>AGE</u>	<u>PERCENT GOOD</u>
0	100%	16	25%
1	91	17	23
2	83	18	21
3	76	19	19
4	70	20	17
5	64	21	16
6	58	22	14
7	54	23	13
8	49	24	11
9	45	25	10
10	42	26	9
11	38	27	8
12	35	28	7
13	32	29	6
14	30	30	5
15	27		

Percent good factors are based on the following:

Iowa State L0 survival curve  
8 year economic life  
13% rate of return  
Individual properties  
10% income adjustment